vise an income guarantee program which would be acceptable in our economic system.

When I first started to work on social security 35 years ago, you could not have suggested a comprehensive income guarantee program, because it would have cost so much in relation to the GNP that it couldn't have been considered practical.

Now I think the problem has changed from one of money or cost. I don't see any reason why, with $800 to $900 billion GNP, you couldn't find some way, in the next year or two, to spend $8 to $10 billion to alleviate poverty, but when the type of a system is inaugurated to pay individuals who have an employable or semiemployable man or woman in the family, as much or more than he could earn in the labor market, I think that some people will think you are setting up disincentives to work, which may be difficult to overcome.

Now one way to overcome the problem, and there has been a lot of thought given to it, is not to pay an individual as much as he could earn.

Senator JAVITS. Of course.

Mr. COHEN. But then you don't fully meet the poverty problem. You are faced with a dilemma. For example, would an individual with say five, six, or seven children, under an income guarantee program, get much more than he would earn?

Now under both Mr. Moynihan's proposals and other proposals, you could say we would probably pay them a little less, as Mr. Moynihan does with the family allowance, but then we would still need a welfare program to support special types of cases.

The net effect of that type of program would not completely eliminate welfare—you would still have it, and you would also have another type of program. What would be the relation of an income guarantee program to the social security program? I think there are a number of questions which really have not been adequately solved which require further study. The relation of an income guarantee to a job guarantee and training program would need to be explored.

Senator JAVITS. Mr. Cohen, my time is up, but I have two other questions which I will dictate into the record and ask you to submit the answers. One is this:

How much of an increase in social security benefits can be financed, in the judgment of the Department, out of the current surplus in the social security trust fund?

The other question is: Does the Department have in contemplation any new plan for medicare-medicaid to deal with the problems of the unemployed and the retired or disabled persons, and what is its attitude on including in medicare the cost of drugs for patients outside of hospitals?

(The questions asked by Senator Javits and the responses by the Department, subsequently submitted for the record, follow:)

Question: How much of an increase in Social Security benefits can be financed in the judgment of the of the Department out of the current surplus in the Social Security Trust Fund?

Answer: According to the latest long-range actuarial costs, the Old-Age, Survivors, and Disability Insurance Program has a positive actuarial balance (or "actuarial surplus") of 0.75 percent of taxable payroll. If this were utilized to increase benefits, an across-the-board increase of 8 percent could be made, and the system would be in actuarial balance. Under these circumstances, no